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SUBJECT: GREEN FUNDS MEET GREENBACKS: REDLAC IX CONSIDERS
PUBLIC-PRIVATE ALLIANCES

REF: STATE 030914

¶1. SUMMARY: Enterprise of the Americas Initiative (EAI) and Tropical Forest Conservation Act (TFCA) debt for nature funds met on the margins of the ninth meeting of the Western Hemisphere Network of Environmental Funds November 13-15. In addition to governance issues, fund managers explored lessons learned through partnerships with the private sector, international institutions, and civil society. USAID's Global Development Alliance, the AID-supported Gulf of Honduras Mesoamerican Reef project (MAR), and environmental fund experiences in Peru, Bolivia, El Salvador and Jamaica received particular attention. The EAI/TFCA funds provide particularly rich opportunities for promoting mission ESTH and public outreach priorities. END SUMMARY.

¶2. The Salvadoran Enterprise of the Americas Initiative Act (EAI)/ Tropical Forest Conservation Act (TFCA) Funds administrator Enterprise of the Americas Fund El Salvador (Fondo de la Iniciativa de las Americas El Salvador- FIAES) hosted the ninth meeting of REDLAC, the Western Hemisphere network of environmental funds, November 13-15 in San Salvador. The U.S. organized a November 12 side meeting for U.S.-backed funds founded under EAI and TFCA. Both meetings focused on opportunities for promoting public-private partnerships with the private sector and civil society.

BUSINESSES AND ENVIRONMENT FUNDS SCOUT OUT COMMON GROUND

¶3. AID's TFCA/EAI coordinator Scott Lampman and Global Development Alliance coordinator Melanie Oliviero encouraged funds to contemplate relationships with the private sector and other non-traditional partners. Such partnerships tap changing resource flows - the public funds/private resources ratio for financial flows shifted from 70/30 to 15/85 between 1970 and 2005. A continuum of environmental fund services could include managing grants, revolving funds, loan guarantees, green investing, micro-credit, venture philanthropy and market-based exchanges. To date, AID's GDA mounted 600 alliances with 1,700 partners, leveraging USD 5.8 billion with an AID investment of USD 2.1 billion. Funds can take advantage of "push" and "pull" factors that encourage the private sector to seek out cooperation.

¶4. Risk is the chief "push" factor sparking private sector interest in environmental protection. A World Business Council for Sustainable Development representative flagged water shortages, climate change, ocean overexploitation, and habitat and biodiversity loss as factors encouraging companies to measure and internalize environmental costs and benefits through cleaner production strategies (reducing costs by reducing inputs and wastes), environmental risk management processes, and triple accounting, which captures the industry bottom line with regard to finances, environment and social priorities. The Dutch Fund for Nature Development's Ivo Mulder pointed to a growing interest among

financial institutions to take into account biodiversity risks as businesses tap green market niches, face environmental due diligence concerns, and freshen their corporate image. He cited incremental but groundbreaking techniques like Rabobank's scrutiny in lending of corporate social responsibility policies, Goldman Sach's use of biodiversity benchmarks, or Calvert's biodiversity criteria in casting proxy votes. (See www.biodiversityeconomics.org for "Biodiversity: The Next Challenge for Financial Institutions.")

15. On the "pull" side, fund activities may complement core operations of private sector partners (as well as religious organizations, remittance senders, consumer organizations, and international organizations), enhancing workforce development and competitiveness; ensuring a sustainable supply of inputs; achieving a more secure business environment and promoting sound environmental practices; boosting local economic opportunities, creating jobs and stabilizing local society; and improving the company's image. Funds can offer expertise in grant-making; build capacity among community partners; convene civil society; stimulate national dialogue; and measure results. The Colombian EAI Fund, the Fund for Action on Environment and Childhood (Fondo para la Accion Ambiental y la Ninez - FPAA), explored a range of examples drawn from examples in Mexico, Brazil and Colombia to illustrate public-private partnerships from philanthropy (giving) through transactional (exchange of value) to integrative (joint planning) cooperation with civil society.

16. Experiences explored in the course of the week included:

-- EAI Peru (Fondo de las Americas Peru - FONDAM) entered into an agreement with Yanacocha Mining Company's to administer a state-mandated USD 31 million fund. The deal boosted FONDAM's profile, honed its skills, stimulated confidence among other possible donors, and generated new resources.

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-- Peru's National Fund for Areas Protected by the State (Fondo Nacional Para Areas Protegidas por el Estado - PROFONANPE) highlighted its agreement with PlusPetrol Peruvian Corporation to establish a fund linked to the controversial establishment of a liquefied natural gas facility near Paracas National Park. It will support implementation of a park master plan, science research, environmental education, and tourism.

-- The Environmental Fund for Jamaica reviewed efforts to complement the EAI fund by recruiting partners like USAID or the UNDP GEF small grants program to support follow-on funding. The Jamaican representative recommended educating the fund board about partnerships, cultivating the fund image, addressing the private sector in their own terms, and adding value by pinpointing appropriate grantees.

-- El Salvador's SalvaNatura reviewed the evolution of its relationship with Shell, transforming a donor into a partner underwriting park management in El Imposible protected area and supporting TV shorts. The relationship opened the door to Phillip Morris and Grupo El Roble support for further land purchases in protected areas.

-- Salvadoran geothermal power producer LaGeo, whose scientific research defined reforestation and other mitigation priorities (risk reduction); whose community investment programs promoted workforce training and alternative crop promotion (improving labor quality); and whose outreach promoted environmental education and animal rescue centers (promoting the company image).

-- Salvadoran hydro power producer CEL. Its social programs mitigated dam construction impact through relocation of people, promotion of new tourism activities and fish stock replenishment. It addressed risk by promoting wind and solar research, capturing carbon offsets and strengthening flood control and watershed management, and promoted cleaner production by harvesting soon-to-be-inundated vegetation in the dam basin.

¶ 17. USAID official Barbara Best discussed protection of Gulf of Honduras reefs through the Meso-American Reef Project (MAR), a USAID-United Nations Foundation partnership implemented by the International Coral Reef Action Network (ICRAN - itself a UNEP project in cooperation of 6 NGOs) and 300 institutions in Mexico, Belize, Guatemala and Honduras. Over its life, MAR administered a USD 1.6 million fund that benefited 1,000 direct beneficiaries on watershed management, sustainable fisheries and sustainable tourism projects. Best focused on the Honduran lobster fishery, which is allegedly exporting undersized lobster in El Salvador and Panama and is allegedly poaching lobster in Nicaraguan waters in a way that places its Nicaraguan divers at risk. Given the lack of incentives for collaboration among Gulf of Honduras fishermen, support from major buyers proved more useful than working with producer organizations. In this case, donors helped broker dialogue between the private sector and NGOs by coordinating a common "request" from environmentalists to industry; guiding the integration of business and environment needs; and convoking dialogue. Best cited various lessons learned, including:

- Alliances take time and can involve high transaction costs, steep learning curves, and slow confidence -building among partners.
- Agreements with a trade association and a particular industry "champion" partner can encourage broader cooperation from other companies.
- Prospects for success grow when NGO personnel are familiar with the industry, when the project reduces risks to human health or environment, or when a sector seeks to implement international standards to meet the scrutiny of international markets.
- Consultative processes boost buy-in. Voluntary codes of conduct can encourage more formal rule-making as participants subsequently seek level playing fields.
- Success is marked by continuing engagement after limited commitments have ended.

¶ 18. The ALCOA Foundation, which promotes conservation and sustainability, global education, children's health, and community and business partnerships, provided further suggestions on approaching the private sector:

- Review prior projects funded by the private sector partner to ensure an understanding of its priorities.
- Describing proposed results in terms of outputs, short-term impact and long-term impact;
- Convey a project's strategy as a story and explain the onward strategy after funding runs out.

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BEST PRACTICES AND FUND GOVERNANCE

¶ 19. Organizers of two studies on financial management and administrative best practices sponsored requested cooperation of the REDLAC funds in conducting surveys. REDLAC expressed full cooperation with the study and requested a partnership with the study sponsors.

-- Daniel Sacaccardi presented a proposal by the Conservation Finance Alliance, the Wildlife Conservation Society, and Common Fund to survey environmental fund practices and performances in managing monies. The Financial Benchmarking study would produce a baseline for environmental fund financial management and compare general trends in the sector, allowing for individual funds to grade themselves and make adjustments accordingly.

-- Barry Spergel and Philippe Taieb are commissioned by the Conservation Finance Alliance to test the assumptions of a 1999 GEF Report assumptions on conservation trust funds. The exercise will identify administrative best practices, develop methodologies for measuring the biodiversity impact of such funds, and identify conditions for success.

¶ 10. Lampman explored lessons learned during the evaluation process, encouraging funds to seek out new opportunities that fit their

expertise. These included updating strategic plans; developing fundraising strategies to offer services for or attract support from third parties; developing strategies to boost their profiles; rationalizing administrative costs, especially with regard to streamlining project awards or operational procedures; making use of new information technologies; and improving the measurement and reporting of impacts. He considered the role of the Board, stressing the need to clarify areas of responsibility and ensure new board members are trained in Board operations.

ABOUT REDLAC

¶11. The Network of Latin American and Caribbean Environmental Funds (Red de Fondos Ambientales de Latinoamerica y el Caribe - REDLAC) counts as members of 20 funds in 14 countries in order to share best practices, seek out financial mechanisms and facilitate civil society participation. The funds manage US 836 million in sinking funds, endowments and revolving funds and have financed 10,000 projects. Participating funds included the Environmental Foundation of Jamaica; the Fondo para la Accion Ambiental y la Ninez (FPAA-Colombia); Fondo Patrimonio Mundial (Colombia); Fondo de la Iniciativa para las Americas (FIAES - El Salvadaor); Fundacion Proteccion y Uso Sostenible del Medio Ambiente (PUMA- Bolivia); Fundacion para el Desarrollo del Sistema Nacional de Areas Protegidas de Bolivia (FUNDESNAP-Bolivia); Fondo del as Americas (Peru); Fondo Nacional para Areas Naturales Protegidas por el Estado (PROFONANPE - Peru); Protected Areas Conservation Trust (PACT-Belize); Fundacion Natura (Panama); Fideicomiso para la Conservacion en Guatemala; Fundacion Vida (Honduras); Suriname Conservation Foundation; Fondo Ambiental Nacional (Ecuador); GEF Small Grants Program; Fondo Brasileño para la Biodiversidad (FUNBIO); Fondo Nacional del Medio Ambiente (FNMA - Brazil); Fondo Naconal para la Conservacisn de la Naturaleza (Guatemala); Fondo Mexicana para la Conservacisn de la Naturaleza (FMCN); and MAR. U.S.-supported funds from Bangladesh, Botswana, Costa Rica, Paraguay and the Philippines also participated.

COMMENT: LINKING FUND AND EMBASSY PRIORITIES

¶12. El Salvador's EAI/TFCA fund, FIAES, expressed an interest in leveraging its activities with opportunities available to Embassy San Salvador. In El Salvador and elsewhere, EAI/TFCA funds can benefit from tools available to U.S. missions and provide public outreach opportunities. REO recommends that Post ensure that EAI/TFCA boards are kept aware of Mission tools, public outreach opportunities, and project linkages. EAI/TFCA projects are an excellent public outreach platform that can serve to educate Mission officials, bolster grassroots contacts, and burnish the U.S. image. Missions might consider using DVC facilities to encourage discussion between funds, government officials and/or U.S. experts to address key issues that Funds encounter as they carry out their work. Funds may be a source for names of outstanding local leaders for IV and VOLVIS programs. Other programs providing common ground may include:

-- Embassy Science Fellow Program: EAI/TFCA Funds may be grappling with science issues linked to prospecting, climate change mitigation, application of remote sensing information or geographic

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information systems, etc. Posts may wish to consult with the EAI/TFCA funds whether the Embassy Science Fellow Program (reftel) could be a vehicle for making the technical expertise of a particular U.S. agency available to the Fund or its partners for an extended period of time.

-- American Fellows Program (www.partners.net): Managed by the NGO Partners of the Americas, the American Fellows Program offers to place a mid-level government official (city, provincial or regional) in a counterpart office for up to six months to work as part of that office's team - so long as the candidate speaks the language of the receiving country. EAI/TFCA funds facing particular challenges in working with government partners may benefit from expertise derived from exposure to U.S. practices.

-- Project GLOBE (www.globe.gov): For countries with a Global Learning and Observation to Benefit the Environment (Project GLOBE) Agreement, it might be possible to bolster Fund activities through a partnership with GLOBE schools. The program could make available to the Funds GLOBE tools and techniques to monitor various parameters relevant to forest conservation.

-- Earth Day(www.earthday.gov): It is never too early to consider what public outreach activities could be linked to Earth Day, commemorated by the U.S. on April 22. The EAI/TFCA Funds are a natural partner for commemorative events like arts, music or essay contests, field trips for partner schools, good news stories for the press, or similar activities. Embassy inquiries of fund activities around April 22 might identify new opportunities to which Earth Day events can be linked.

-- Site Visits: Funds frequently have close ties with protected areas managers and community organizations with sustainable tourism or sustainable production components. Visits to fund-supported activities could boost the morale of its partners, draw local attention to the difference U.S. support can make, and provides an opportunity to check that U.S. funds are being used properly. CLOs might consider whether Embassy community members might be interested in supporting partner organizations by visiting protected lands or taking advantage of recreational activities organized by EAI/TFCA Fund partners. Commissaries might consider carrying crafts or foods prepared by Fund partners and beneficiaries. Post recognition boosts the standing of the Funds and its partners and emphasizes the grass-roots benefits of U.S. support for host countries. End comment.

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